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1969 vs. 1966: A Progress Report on Tight Money and Inflation

The Last Third of the 20th Century: Challenges to the Insurance Industry

The Fair Sex in the Banking Industry

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1969 vs. 1966: A Progress Report on Tight Money and Inflation

by David P. Eastburn

In today's topsy-turvy economy each new statistic showing economic strength is greeted with dismay. Everyone is searching hopefully for signs of cooling.

Although no two periods are alike, some encouragement—and one caution—can be found in a comparison with the tight money period of 1966. Selected comparisons are shown in the following charts. In summary, they suggest:

1. Monetary policy has followed a more restrictive pattern this year than in 1966. Since the tight policies leading to the "crunch" in late summer of 1966 are widely considered a main contributor to the "mini-recession" of 1967, this would suggest that the current fight against inflation has been vigorous indeed.

2. Effects of a restrictive monetary policy are felt only after a lag. The tight policies of 1966 were not followed by a decline in the real output of goods and services or a slowing in price increases until the first part of 1967. According to this pattern, significant evidence of a slowdown in the real sector of the economy should show in the fourth quarter of this year.

3. A "crunch" followed by substantial easing in monetary policy could sow the seeds of another round of inflation. This is what happened in 1966-67, and given the imbedded inflationary psychology today, it could happen again.

(Continued on page 8)

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The Last Third of the 20th Century: Challenges to the Insurance Industry*

by
Karl R. Bopp
President, Federal Reserve Bank of Philadelphia

I am very happy to be with you today. I am particularly intrigued by the long-run focus of your seminar. It is a refreshing diversion to look beyond the pressing problems that confront our financial structure today in order to examine some of the major forces that will be shaping your industry through the remainder of the century.

At the outset I should warn you that I am not a forecaster. I have neither a reliable crystal ball nor a handful of wise tea leaves. Were I to have made specific forecasts thirty years ago, I would have missed economic and financial conditions prevailing today by a very wide mark indeed. Who would have predicted in 1939 that our Gross National Product would jump from $90 billion to over $900 billion today? Who would have anticipated the development and sophistication of today's financial markets?

Rather than attempt to predict the future, therefore, I should like to ask a few questions which I believe you in the insurance industry should consider as you make your long-run plans. As I try to visualize the challenges which will confront you, I see them falling into three broad categories: (1) those that stem from what now seems to be an inflationary bias of the economy; (2) those that come from your attempts to meet competition; and (3) those that are associated with a changing political and social environment. I should like to raise questions about each of these and explore some of their implications.

INFLATIONARY BIAS

When asked to predict stock prices, J. P. Morgan

* An address given in Philadelphia at the Fifth International Seminar on Insurance Company Management and Economic Security sponsored by Temple University and The University of Texas at Austin, June 15, 1969.

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once responded, "The market will fluctuate." We can understand the dismay of Morgan's inquirer who longed for some profitable tip. When I look at the future objectively as a central banker, I, too, must conclude that the safest assumption is that the economy will fluctuate. I find no evidence that business fluctuations have become a phenomenon of the past. Rather, it appears that, as long as we enjoy the freedom to make our own spending and investment decisions, economic activity is likely to continue to ebb and flow.

Beyond this not very helpful conclusion, however, let me explore some other possibilities. What, for example, is the likelihood that economic fluctuations will be less violent than in the past? Some arguments can be made for this position. If they are valid, they certainly have great significance for the future of the insurance industry.

One is that the composition of the economy is shifting in a way that will produce greater stability. Services are becoming a growing part of our economy relative to goods-producing industries. In 1937, services accounted for 38 per cent of total non-Government employment; they are now responsible for about 48 per cent. The insurance business, of course, is itself part of this trend and will participate in any further shifts. Although economists comprehend less than they would like about this phenomenon, they generally conclude that this shift in composition will help to lend stability to the economy.

The fact that Government accounts for a larger share of economic activity also may tend to add stability of a sort, although at times Government expenditures fluctuate substantially. Certainly, there is no evidence to indicate that Government will readily cut programs or payrolls in the future any more than it has in the past.

And, finally, it may be that we have learned something about how to manage the economy. Slowly and painfully, economists *are* pushing out the frontiers of knowledge. By trial and error with monetary and fiscal tools, we are learning not to repeat old mistakes. And although new mistakes will be made in coming years, it is possible that we shall do a better job in stabilizing the economy than we have in the past. I have hopes, but not a great deal of certainty.

In calculating the odds for the coming decades, therefore, the insurance industry must give some weight to the possibility that it will live in an economy less subject to the kinds of fluctuations experienced in past decades. I join you in hoping that these odds pay off.

But you must also weigh the odds that the economy will experience primarily a one-way "stability"—that it will suffer from an inflationary bias. I am not at all sure that chronic inflation is inevitable. Indeed, experience tells me to be cautious about assuming the inevitability of anything in the economy. Many of us remember the New Era of perpetual prosperity, the doctrine of chronic stagnation, the concern about a chronic dollar gap. To say, therefore, that the economy of the future will be dominated by persistent inflation may simply reflect a short-sighted view which is excessively influenced by what is going on right now. Nevertheless, the insurance industry must consider the possibility that it will exist in an environment of inflation much of the time. What case can be made for the inflation thesis?

Basic to the argument is that our society has become intolerant of recessions. The Employment Act of 1946 was a landmark in this country's economic history. It was the direct product of the Great Depression. It pledged Government

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to the maintenance of maximum income, employment, and purchasing power. But it made no mention of the price level as such.

You may well question, as I do, why society should put so much stress on the social costs of unemployment and so little on the social costs of inflation. The latter, of course, are less apparent, but no less real. It may be that society will shift its view of the relative costs, but I would not advise you in the insurance business to count heavily on it.

There are other arguments for the inflation hypothesis. One is the rigidity that has been built into our wage structure, a rigidity that permits wages to rise but which resists declines. Another is that the very shift from goods-producing industries to services that may add stability to the economy may also add to inflation because it is so hard to increase productivity in many of these services. Since World War II, prices of services have increased 1.6 times faster than prices of commodities.

And, finally, there is the argument that we, in fact, have had rising prices most of the time in the past twenty years. On the average, consumer prices have risen at a compound rate of 1.875 per cent a year. It is possible that this will not be the pattern for the next thirty years, but I would not recommend that the insurance industry put all its long-run plans in that basket.

Assuming, for purposes of argument, that the inflation thesis is the correct one, what are the implications for insurance? Increasingly, ordinary life policies are being shunned by "sophisticated" individuals who assume some rate of inflation in making their saving and investment decisions. The fear that inflation will erode benefits of ordinary life policies has prompted growing numbers of people to buy term insurance for protection against death, and to channel savings to other investments which they think will be less adversely affected by inflation.

Life insurance reserves have become a declining proportion of the total financial assets of consumers in the United States. From 1945 through 1967, life insurance reserves of households grew by 193 per cent while corporate stock at market value jumped by nearly 560 per cent. Of course, much of the latter represented capital gains, not amounts of new money; but that is precisely the point! Pension fund reserves soared 1,737 per cent during the same period.

It is clear that in their fear of inflation, households are channeling larger proportions of their savings into financial assets other than life insurance. Even if chronic inflation is an inaccurate forecast for the next few decades, how long will it take to convince people that they need no longer protect themselves against it?

Is it possible, therefore, that whether the inflation thesis is valid or not, we face a future in which financial decisions will be greatly dominated by a desire to protect oneself against inflation? This certainly seems to be the basis on which insurance companies are acting today.

As inflationary pressures have mounted, insurance companies have found themselves lending more and enjoying it less. Consequently, they have put increasing emphasis on equity investments in their portfolios—not just common stock of major corporations but also "pieces of the action" in shopping centers and other projects for which they have provided mortgage funds.

An intriguing question is what may happen to the basic function of insurance companies in a world of inflation-hedgers. Rather than *spreaders* of risk, will insurance companies become *creators* of risk? Greater emphasis upon equity-

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type assets which tend to increase in value during inflationary periods may help to sustain the total value of insurance companies' assets at a time of inflation when prices of fixed-income assets are declining. In this case, equity investments may, in the future, help insurers as well as their customers to find a bit more security. But is it also possible that if insurance companies become motivated by the "cult of performance" they will help to make financial markets less stable? If so, they may be creating additional risk and uncertainty.

Finally, what kind of an economy would we have when everyone—savers, investors, management, labor—is trying to protect himself against inflation? I confess I can see only some of the outlines of it very dimly. In the first place, would there not be a great deal of unproductive time and effort diverted to this pursuit? Secondly, could everyone succeed equally well; could everyone win this game of musical chairs? And, if by chance everyone did succeed, what would have been gained? Would anyone be better off than if there had been no inflation in the first place?

The insurance industry has a great stake in economic stability. And although I can understand your concern about inflation and attempts to protect yourself against it, I urge you to do all that you can to prevent it.

COMPETITION

A second major challenge facing insurance companies in the years ahead has to do with competition. This certainly is not a new challenge; yet its nature may be substantially different than in the past. In addition to competition which has been increasing among insurance companies, the industry may well face major new sources of competition from many other types of specialized financial institutions.

This trend toward greater inter-industry competition is already well under way. In mortgage markets, the old competitors are hard at it. In an effort to compete more effectively, mutual savings banks, for example, are engaged in a struggle to secure federal chartering, thus opening new geographical frontiers for expansion.

In the consumer lending field, efforts are under way by organizations of savings banks and savings and loan associations to secure statutory and regulatory permission to make consumer loans. Moreover, life insurance companies involuntarily are making more loans against cash value of policies and thereby competing in the consumer loan market as well as in the mortgage market.

Commercial banks are actively preparing to move into many new kinds of business—the specific kinds depending on the outcome of Congressional deliberations now under way—through one-bank holding companies.

The life insurance area is not sacrosanct either. Mutual savings banks in New York, Massachusetts, and Connecticut have long been active in the field, and creation of the Savings Bank Life Insurance Company of Connecticut has made possible the extension of savings bank life insurance to other states as well.

Mutual funds, long the principal institutional vehicle through which individuals could participate in equity investments, increasingly will be feeling the heat of new competition from variable annuity policies, from funds sponsored by insurance companies, and from commingled trust funds at savings and loan associations and commercial banks.

What is the basic force behind this broader scope of competition? Primarily, I believe, it is the desire of the various institutions to break

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out of contracting or confining specialized markets. Managers of financial institutions fear that in a rapidly changing economy their area of specialization may not always continue to grow adequately. They believe that as multi-celled institutions they may be better able to adapt to changes in the environment than as uni-celled institutions. Damage to a single cell poses less danger to the whole institution. Security, stability, and growth require a more complex structure. Therefore, financial institutions are becoming more complex through diversification into new areas and expansion of their base of operations.

A major question for the future will be how far and how rapidly the insurance industry will move in responding to the challenge of greater competition by stepping up its own efforts to diversify. A survey of life insurance companies conducted by Financial Research Associates last fall revealed that about 40 per cent of the respondents were offering or planning to offer mutual fund shares, and a small proportion were offering or planning to offer variable annuity policies.[1] This may be just the beginning of diversification efforts of insurance companies. Perhaps the trend will accelerate in the years ahead.

A second question is the vehicle which insurance companies will use for diversification. Among insurance companies, as among commercial banks, the holding company device apparently is in vogue. About a quarter of the leading life insurance companies are reported to have holding companies in operation and another 15 per cent are planning to set up such companies. The remaining three-fifths are equally divided between those studying the vehicle and those having no present plans to expand via the holding company route.

Although the kind of competition I have described is not new to you, the intensity and variety of it in coming decades will, I believe, surprise us all. As an economist, I look forward to it as a means of broadening markets and providing better services. Although it will bring you many problems, these are the kinds of problems you should welcome.

POLITICAL AND SOCIAL ENVIRONMENT

Answers to the questions I have raised will depend greatly on the answer to a still more difficult question: what will be the political and social environment in which insurance companies will be operating?

Will social pressures continue to stress the costs of unemployment over the costs of inflation? Will political expediency emphasize economic growth even though much of that growth is merely an inflated dollar? Your assessment of these possibilities will be important in weighing the likelihood of chronic inflation in the decades ahead.

As for competition, will Government provide an environment in which financial institutions will be freer to move into new kinds of business? The decisions which Congress makes on one-bank holding companies may soon give you a clue.

I wish I could give you optimistic answers to these questions, but my vision of the future is blurred; my observation of the past does not give me reassurance. But the future is something you can help to shape, and perhaps this is the biggest challenge you face. You can help to bring about the kind of political and social environment conducive to broad and vigorous

[1] "Equity Related Plans of Leading Life Companies," published as a supplement to *Life Insurance Stock Letter*, Denton, Texas: Financial Research Associates, October, 1968.

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competition and to economic growth without inflation.

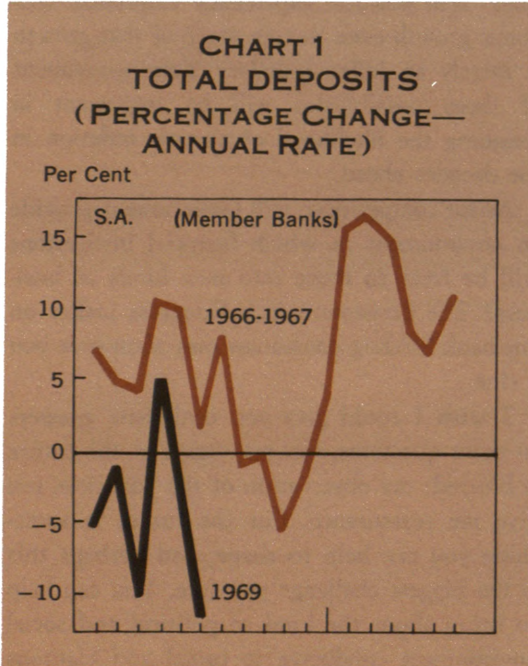
One final question: what role will insurance companies play in improving the quality of life for the disadvantaged in our society? In recent years we have experienced mounting concern with human values. Unemployment statistics are no longer just numbers; they represent unfulfilled lives and washed-up dreams. In response, business—with the insurance industry in the forefront—is considering a new set of priorities.

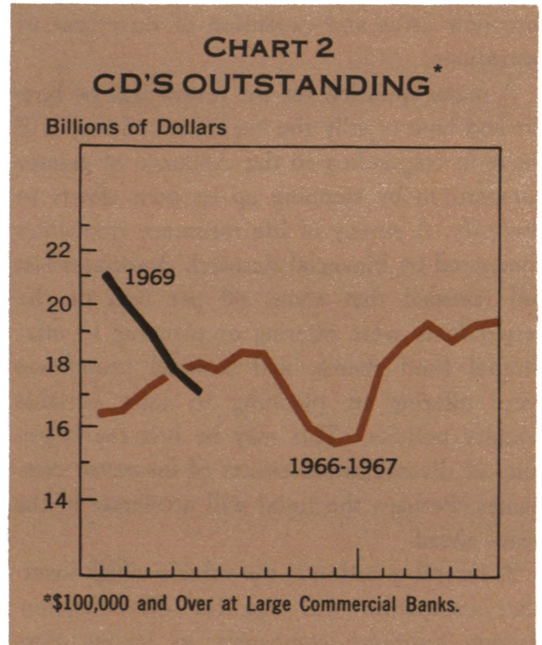
Can the insurance industry afford to emphasize short-run profit at the expense of long-run survival? This is what you have been asking yourselves as you confront the mess in our cities and the conflicts among groups of our society. Your answer is a resounding "no." I am confident it will be an even more vigorous "no" in the decades to come.

(Continued from page 2)

FINANCIAL SECTOR UNDER PRESSURE

Chart 1 shows that total deposits at member banks have declined for most of 1969 with the pattern suggesting a more restrictive policy so far this year than during the corresponding period of 1966. This decline in deposits has been caused largely by a precipitous drop in out-





standing certificates of deposit (Chart 2). Pressure has been particularly severe at large banks where rising rates in the open market have led many holders of large denomination CD's to shift into other assets as bank rates on time deposits have been held in check by Regulation Q. Banks have lost CD's in large amounts since December 1968. This severe drop has forced banks to press for funds in the Euro-

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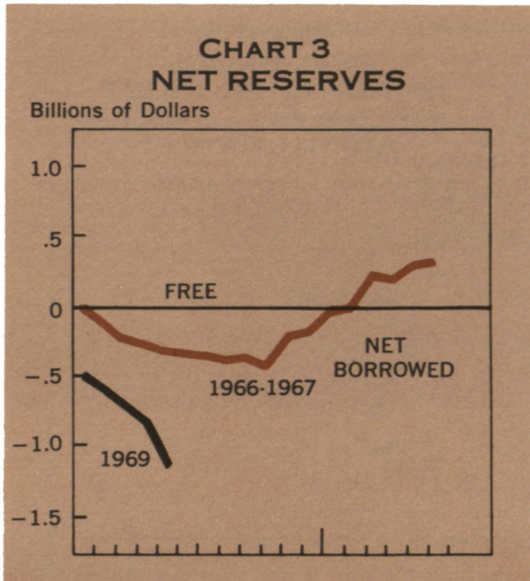
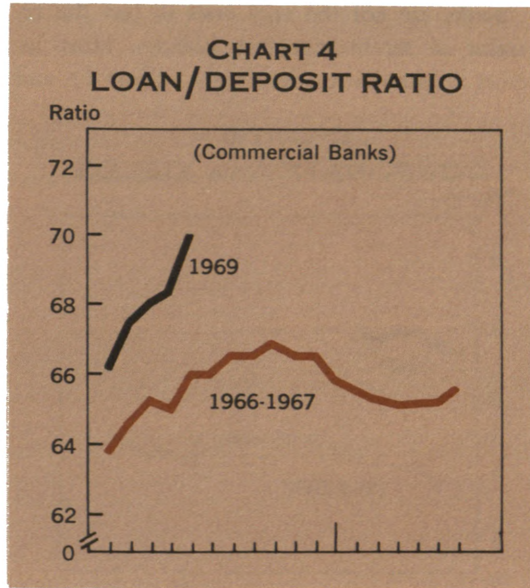
dollar and federal funds markets and elsewhere. Banks in the aggregate are now more deeply in debt on a net basis at the Federal Reserve than at any time in 1966 (Chart 3).

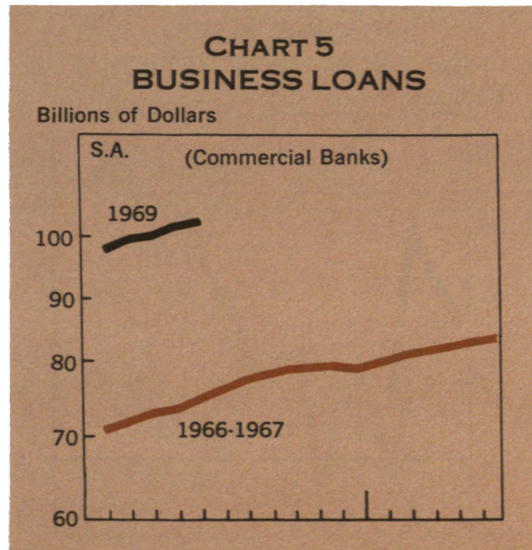


Deposit losses and strong loan demand have placed pressure on banks' liquidity positions. Loan-to-deposit ratios are admittedly gross measures of liquidity, and their significance is becoming even more clouded as banks obtain larger amounts of non-deposit funds. Nevertheless, the current levels of these ratios at most banks certainly suggest that banks are now pressed for funds. The average loan-to-deposit ratio for all banks is now over 70 per cent—higher than in 1966, as shown in Chart 4.

In response to deposit losses and narrowing liquidity cushions, banks have sold securities and sought to restrict loans. Recent reports suggest that many large banks have now instituted credit rationing procedures as tough as any utilized in 1966. Some observers are skeptical,



however, noting that business loans continue to rise at a rapid clip (Chart 5). But the same thing happened in 1966. Business loans kept rising right through the crunch, and it was not until late in the year that they leveled off.



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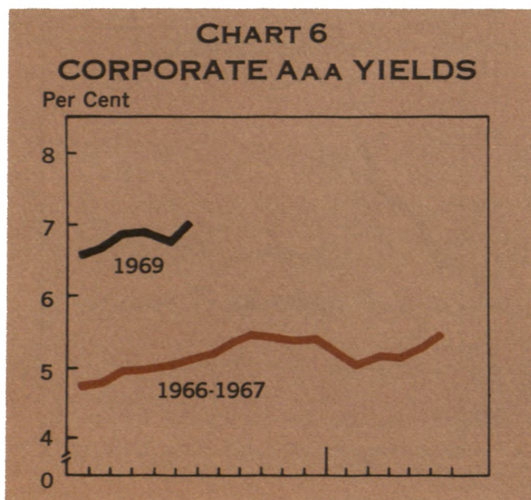
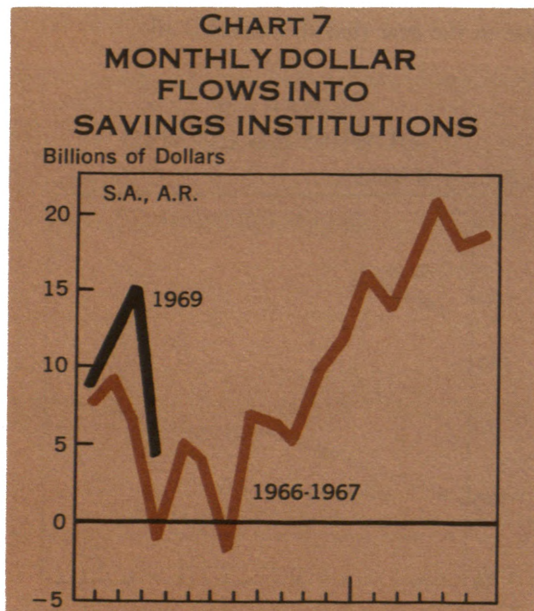
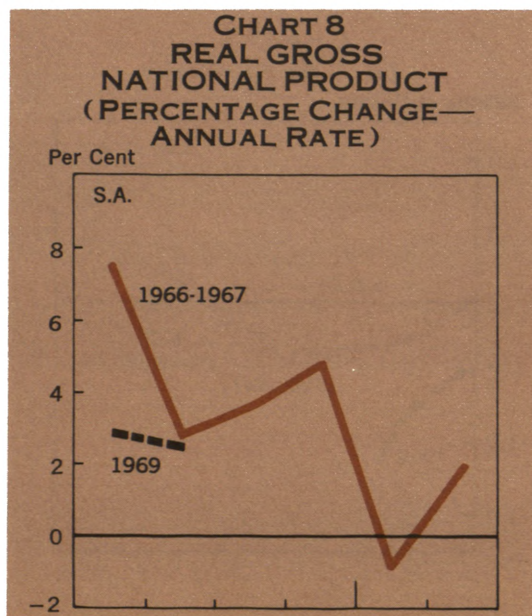
Banks are not the only ones to feel the restraint of recent monetary policies. Most interest rates are at modern highs (Chart 6), and the average rate of net deposit flows into savings institutions has slumped in recent months, as shown in Chart 7. While figures are not available for June or July, early indications are that in July, savings institutions may have suffered a net outflow of funds. Even with this decline, however, it appears that these institutions have fared somewhat better than in 1966.







REAL SECTOR HARDLY FAZED—YET

Clearly, financial institutions and markets are showing significant restraint. But it is difficult as yet to see many signs that this is having effect in the real sector of the economy.

One encouraging sign, however, is the continuing decline in the rate of increase in real output of goods and services—Gross National Product after price adjustments—so far this year (Chart 8). This decline has now extended for five quarters.

Another sign is that housing starts have fallen, as they did in early 1966 (Chart 9). Also, while retail sales have not dropped, they have leveled off, which is what they did in 1966 and 1967, as seen in Chart 10.

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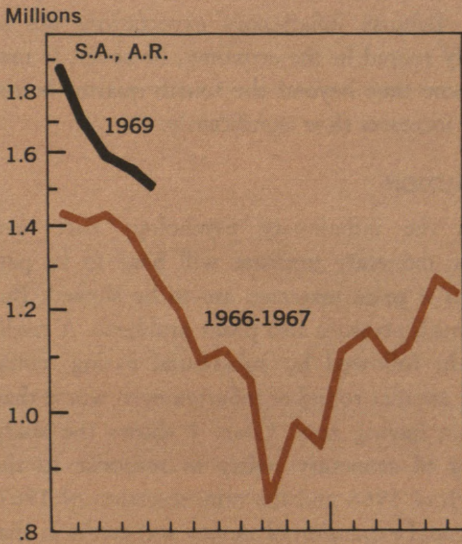
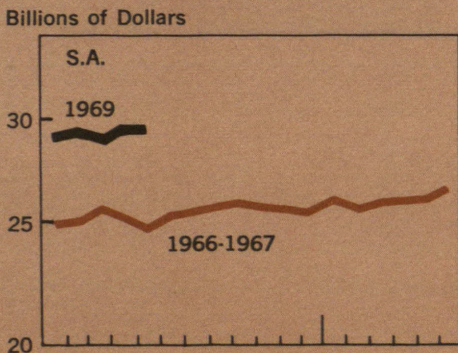
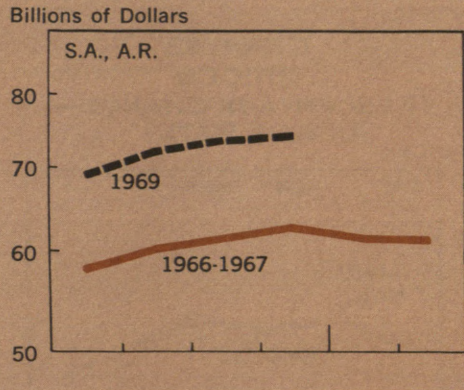


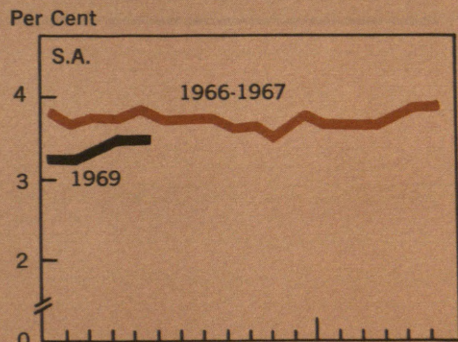
Arrayed against these few signs of weakness are a number of series which continue to reach new highs each month. The area of greatest concern to many observers is the expansion of business spending on plant and equipment. But as shown in Chart 11, this pattern is similar to





that of 1966, when price and wage considerations prompted higher spending much as they are now. Business spending on plant and equipment did not decline until the first quarter of 1967.

Spending on plant and equipment is not the only thing that lagged in 1966-67. As indicated in Chart 8, not until the first quarter of 1967 was there an absolute decline in real output of goods and services. Similarly, it was not until 1967 that unemployment began to rise slightly (Chart 12) or the rate of increase in prices



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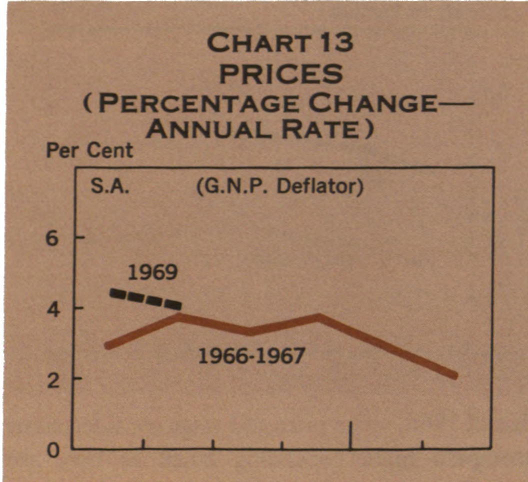
dropped off (Chart 13).

All of this supports the contention of most economists that even though they do not know exactly how all of the relationships work out, they do know that the effects of changes in monetary policy take time to work through the economy. Restrictive measures are felt first in the financial sector. Only after a lapse of time do they permeate the real sector. This pattern is occurring now. The financial sector is clearly under pressure, but the real sector gives only a few signs of a slowdown. A reasonable expectation is that by the fourth quarter of this year the real sector of the economy will be substantially less buoyant than it has been up to now. Because inflationary expectations are so deeply rooted in the economy, however, it may be some time beyond the fourth quarter before price increases slow significantly.



A CAUTION

With the inflationary psychology that now exists, monetary pressure will have to be persistent if price increases are to be slowed. But too much pressure also poses problems. A credit crunch, followed by substantial easing, could cause another round of inflation even worse than we are having now. Chart 1 shows the sharp easing of monetary policy in response to the crunch of 1966 and the mini-recession of 1967. The rapid expansion of money and credit in that and subsequent periods provided much of the impetus for the current round of price increases.

Given what we know about how monetary policy works, consistent monetary pressure, plus time and a compatible fiscal policy, will slow the economy. This course seems the safest and surest road to ultimate success in achieving our economic objectives.

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Women in the labor force are not news, but women in managerial positions are novel—and most promising. Employment gains made by women in recent years have been spectacular, not only in the fields they have entered, but also in the positions they have reached. Women are making inroads into all areas of employment. The year 1968 gave us our first woman on the stock exchange, our first lady Chairman of the Interstate Commerce Commission and our first female jockeys. And we also have . . . .

The Fair Sex In The Banking Industry

by Carol P. Howell

Banking is a dynamic business. It is popping out of its traditional sphere of activities and expanding into new areas of service. As the banking industry has grown, it has required more employees at all levels. To fulfill staffing needs, the industry increasingly has relied on women, who now account for over three-fifths of total employees in banking—up from one-fifth in 1940. Although the role of women in banking has increased dramatically in recent years, only one of every ten bank *officers* is a woman. In contrast, about one out of seven executives in other business fields is a female.

As the banking industry continues to grow, it is expected that the number of employees will soar to 1,100,000 by 1975—a 47 per cent increase in just one decade.[1] Much of this growth will occur as banks offer more and varied services which require not only specialists trained in new fields, but also able managers to oversee new operations. As the number of employees in banking mushrooms in the years

[1] United States Department of Labor, Bureau of Labor Statistics, "Tomorrow's Manpower Needs," Bulletin 1606, Vol. 4, February 4, 1968.

The Civil Rights Act of 1964 makes it illegal ". . . to fail or refuse to hire or to discharge any individual, or otherwise to discriminate against any individual with respect to his compensation, terms, conditions, or privileges of employment because of such individual's race, color, religion, sex or national origin . . .".* Data used in this analysis are not adequate to either prove or disprove existence of discrimination against women in banking. We have collected salary data by title of officers, but a particular title may cover a wide range of responsibilities and functions. Consequently, we were not able to say that a woman performing *identical* functions and having the same educational level and employment history as a man receives less pay than her male counterpart.

* *United States Code,* Vol. 1, 1964, Title VII, Sec. 703.

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ahead, the problem of finding qualified management personnel is likely to become acute. Many banks already appear to be suffering from a dearth of management talent. Recently, over one-half of the bank merger applications filed in the Third Federal Reserve District cited management succession as one reason for merger.[2] In the search for management personnel, some bankers are turning to the vast pool of women.

Seventy-two per cent of all bank employees in the Third Federal Reserve District are women, 10 percentage points higher than the national average for banks.[3] The concentration of women is higher at smaller banks. About 84 per cent of all employees at banks with deposits of $25 million or less are women, while at the largest banks (those with deposits over $100 million), women comprise roughly two-thirds of total employees.

MAJORITY OF BANKS HAVE WOMEN OFFICERS

Women aspiring to be officers of a bank seem to have a better chance at a large bank. Although there is a need for officers at institutions of all sizes, the larger banks are more likely to have at least one woman officer, as shown in Table 1.

However, larger banks have a lower percentage of female officers to total officers than do smaller banks. At those institutions with deposits under $5 million, women fill over 21 per cent of the officer posts, while at the largest banks with deposits over $100 million, women account for only 6.5 per cent of the officers.[4] A survey by the Financial Public Relations Association in 1958, and one by Chemical Bank of New York in 1966, reported similar results. The percentage of female officers is shown in Table 2.

TABLE 1
BANKS WITH WOMEN OFFICERS

Bank Size (Deposits)	Per Cent of Banks Having Women Officers
Less than $5,000,000	49%
$5,000,000 to $9,999,999	69
$10,000,000 to $24,999,999	67
$25,000,000 to $100,000,000	82
Over $100,000,000	100
All Banks	68

TABLE 2
MEN AND WOMEN OFFICERS

Bank Size (Deposits)	Percentage of Total Officers	
	Men	Women
Less than $5,000,000	78.8	21.2
$5,000,000 to $9,999,999	76.4	23.6
$10,000,000 to $24,999,999	82.3	17.7
$25,000,000 to $100,000,000	86.0	14.0
Over $100,000,000	93.5	6.5
All Banks	88.1	11.9

For all banks in the Third District survey, women hold only 11.9 per cent of the officer positions, 1.9 percentage points higher than the national average for banking but lower than the average of 14.3 per cent in all business categories.

A comparison of men and women who are

[2] Robert D. Bowers, "Management Succession in Bank Mergers," *Business Review*, Federal Reserve Bank of Philadelphia, November 1969.

[3] Information about women officers in banking was secured through a survey undertaken by the staff of this Bank. Questionnaires were sent to all banks, member and non-member, in the Third District. Completed questionnaires were returned by 375 banks—a response rate of 75 per cent.

[4] A comparison between member and non-member banks shows similar results, except at the largest banks. At the large non-member banks, 11.4 per cent of the executive positions are held by women, compared with only 5.4 per cent at member banks in the same size category.

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among the ten highest-paid in each bank helps to illustrate the position of women officers in Third District banks.[5] Fifteen per cent of all top officers are women. All but the very largest banks—those with deposits over $100 million—have women in top executive positions. There seems to be an inverse relationship between the size of bank and the proportion of high-salaried women. At one extreme, women account for one-fourth of the highest-paid officers at banks with less than $10 million; at the other extreme, no women are among the ten highest-paid personnel at banks having deposits in excess of $100 million.

VARIETY OF EXECUTIVE TITLES HELD BY WOMEN

In Third District banks, women hold a wide variety of executive titles, from chairman of the board and president on down. Most women officers, however, hold junior executive posts. The most common titles for women are assistant cashier, assistant branch manager, assistant secretary, and branch manager, as shown in Table 3.

TABLE 3

DISTRIBUTION OF EXECUTIVE POSITIONS HELD BY WOMEN

Title	Per cent
Assistant Cashier	31.7
Assistant Branch Manager	16.1
Assistant Secretary	9.7
Branch Manager	7.9
Vice President	7.3
Assistant Trust Officer	7.2
Assistant Treasurer	4.6
Trust Officer	3.3
Cashier	2.3
Loan Officer	1.9
Secretary	1.5
Other	6.4

[5] A comparison was made of the ten highest-paid officers—men and women—in a bank. If a bank had fewer than 10 officers, all were included.

Women hold a greater variety of titles at large banks—in part because more varied positions are available at these banks. At smaller banks, having deposits of less than $10 million, 61.5 per cent of the women officers are assistant cashiers, while at banks with over $100 million in deposits, assistant cashiers account for only 12.8 per cent of women officers. At the largest banks, about 23 per cent of the women are assistant branch managers. Other commonly held titles include assistant secretary and assistant treasurer. At banks with deposits over $25 million, the variety of titles increases to include women of officer status in the personnel, public relations, accounting, comptrollers, investment or travel departments. Smaller banks usually do not have these specialized officer titles. For example, the assistant cashier in a small bank often performs more varied tasks than her title implies.

EDUCATIONAL LEVEL OF WOMEN OFFICERS

Historically, bankers have relied mainly on experience and tenure as qualifications for advancing women into ranks of management. Respondents in the survey indicate this still is true for the majority of Third District banks. Only recently, the larger banks, aware of the anticipated shortage of competent executives, have begun to realize the importance of formal education in preparing women for management positions. In our district, the highest educational level completed by about four-fifths of the women officers was high school. Thirteen per cent attended college, 7 per cent were college graduates, and only 1.6 per cent received advanced degrees. There is little variation among the banks as far as education is concerned. However, at the largest banks, those with deposits over $100 million, 18 per cent

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TABLE 4

EDUCATION OF ALL WOMEN OFFICERS

Bank Size (Deposits)	High School	Attended College	Completed College	Graduate School
Less than $5,000,000	83.0	14.9	2.1	—
$5,000,000 to $9,999,999	91.1	5.7	2.2	1.1
$10,000,000 to $24,999,999	83.0	16.3	.7	—
$25,000,000 to $100,000,000	81.1	13.0	5.9	—
Over $100,000,000	68.8	12.9	18.2	4.0
All Banks	79.8	13.0	7.1	1.6

completed college and 4 per cent received masters degrees. (See Table 4).

A comparison of men and women officers, those who are among the ten highest-paid in each bank, sheds further light on the educational attainment of bank officers. Although these male officers generally reached a higher educational level than their female counterparts, only 4 out of these 10 men continued their schooling beyond the secondary level. The majority of both men and women completed their education with a high school diploma. But while only a slightly greater proportion of men than women officers attended college—19 per cent versus 16 per cent—one-fifth of the male officers completed college, substantially above the 2 per cent rate for women. Also, 1 per cent of the men and less than 1 per cent of the women in the top ten positions received advanced degrees. Interestingly, the educational attainment of all women officers as a group is higher than that of the highest women officers. This phenomenon occurs because the new wave of college recruitment supplies women at the junior officer level, while the senior officers reached their positions through tenure and experience.

There is also a direct relationship between size of bank and the educational achievement of officers. Generally, the larger the bank, the more college-educated officers it has. This relationship holds for both men and women.

TENURE OF WOMEN OFFICERS

According to the executives of Third District banks who do not employ women officers, the most common reason for not having them was fear that marriage and childbearing would force women to leave the labor market. There is some basis for such fear, but a United States Department of Labor survey a few years ago revealed that about 45 per cent of college women had worked at least 6 years since graduation, 32 per cent for the same employer. The college women averaged 5.5 years of employment.[6] The Labor Department also reported that men typically remain on the job only 1.1 years longer than women. Today, men are increasingly mobile and change employers frequently in order to achieve their career objectives, so that now sex probably bears less relation to job tenure than it did some years ago.

In the Third District, women officers, on the average, have worked 21 years at their bank. And at banks with deposits over $100 million, the average length of service is over three

[6] United States Department of Labor, Womens' Bureau, "College Women Seven Years After Graduation," Bulletin 292.

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decades. However, the average woman has been an officer for less than 6 years. Almost 70 per cent of the women officers have held their title for 4 years or less, and 19 per cent were promoted to executive positions within the last year. It appears that many were promoted to officer status after the passage of the Civil Rights Act of 1964.

THE ROAD TO RECOGNITION

For most women, it's a long climb through the ranks to the top in banking. Two cases illustrate. One woman officer at a bank in the Third District started her banking career as a file clerk, was promoted to the Christmas Club window, and eventually became a secretary in the Trust Department. Through interest in her job and hard work, she learned the operations of that department; upon the death of the Senior Trust Officer she was made an Assistant Trust Officer. Her advancement in the bank was attributed entirely to her on-the-job experience and dedication to her work. She attended no banking schools and took no formal banking courses.

Another woman officer started working at a small mortgage company as a file clerk. She learned the mortgage loan business mainly through on-the-job experience. Realizing her increased interest in the field, she took courses at the Philadelphia Realty Board and expanded her knowledge in real estate and mortgage lending. The mortgage company was eventually merged into an area bank and three years later she was made an Assistant Secretary in the mortgage department.

Both of these cases illustrate the most typical route of advancement for women in banking. The women were hired not as prospective executives, but rather as functionaries at lower levels of banking and worked their way up. Both women were tutored by forward-looking men who realized their potential and helped pave the way for them to become officers. Only recently, and only at the larger banks, have young women been hired specifically for their executive abilities and placed quickly in managerial positions.

SALARIES OF SENIOR OFFICERS

In institutions having high-ranking women serving in executive capacities, the absolute difference between the average salary paid to women and that paid to men is directly related to bank size. The ratio of salaries of the highest-paid men to salaries of the top women increases with the deposit size of the bank. This discrepancy in salaries can be attributed in part to the fact that as bank size increases, fewer women are among the top ten, and those women who are rank at the lower end of the salary scale. Table 5 shows the average salaries of the ten highest-paid men and women.

Although no women are included in the ranks of many of the ten highest-paid officers in banks over $100 million, it is likely that junior officers at these banks, on the average, may earn more

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TABLE 5

AVERAGE SALARIES OF TEN HIGHEST-PAID OFFICERS

Bank Size (Deposits)	Total Women	Total Men	Dollar Difference
Less than $5,000,000	$5,444	$ 8,078	$2,634
$5,000,000 to $9,999,999	6,395	9,874	3,479
$10,000,000 to $24,999,999	6,862	10,436	3,574
$25,000,000 to $100,000,000	8,423	13,818	5,395

than the ten highest-paid in smaller banks.

In Table 5, we have not taken into consideration the title, education, or length of service of the employee. However, when titles and educational levels of both men and women are compared, the main finding is generally the same—men on the average earn more than women on the average.

This difference can be seen in Table 6 which shows the average salaries for comparable titles for high-ranking men and women having equal years of schooling. Of course, any difference in salaries at individual banks may reflect differences in length of service, duties, responsibilities, or ability.

TABLE 6

AVERAGE SALARIES OF TEN HIGHEST PAID OFFICERS WITHOUT COLLEGE DEGREES

Bank Size (Deposits)	Assistant Cashiers		Cashiers		Assistant Trust Officers		Trust Officers	
	Women	Men	Women	Men	Women	Men	Women	Men
Less than $5,000,000	$5,378	$6,536	$ 6,486	$ 8,175	—	—	—	—
$5,000,000 to $9,999,999	6,153	7,148	7,931	10,119	—	—	—	—
$10,000,000 to $24,999,999	6,590	7,349	10,013	10,857	$5,774	$7,610	—	—
$25,000,000 to $100,000,000	6,968	8,397	—	—	5,990	9,367	$10,668	$12,892

THE FUTURE OF WOMEN OFFICERS

The United States Department of Labor predicts a continuing shortage of 35- to 44-year-old men through 1975 because of lower birth rates during the depression. This group—from which many new executives usually come—is expected to be reduced by about 200,000 from 1970-75. This situation, coupled with an anticipated increase in the need for banking executives, could be serious for the banking community.

In the Third District, women have apparently demonstrated their capabilities in a wide variety of jobs in every facet of banking. They have performed in traditional jobs as cashiers, trust officers, and branch managers and are gaining a foot-hold with the newer jobs in personnel, public relations, and data processing. There are few, if any, banking positions that are not represented by Third District ladies. However, the proportion of women executives in our banks is still low, although better than the national average for banking. One prominent woman banker interviewed stated that East Coast bankers are ahead of bankers in other areas of the United States in their realization that women make good executives. Therefore, a partial solution to

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the management succession problem would be to move more women into executive posts in order to fill the manpower gap. Higher pay for these women may be necessary in order to interest them in a banking career. However, in many areas, alternate opportunities for women are scarce. Consequently, a bank may be able to fill some management positions at salaries that would not be sufficient to attract men of equal qualifications. In any case, banks may find it particularly advantageous to utilize qualified women to help solve their management problems, and simultaneously offer interesting career opportunities to women.

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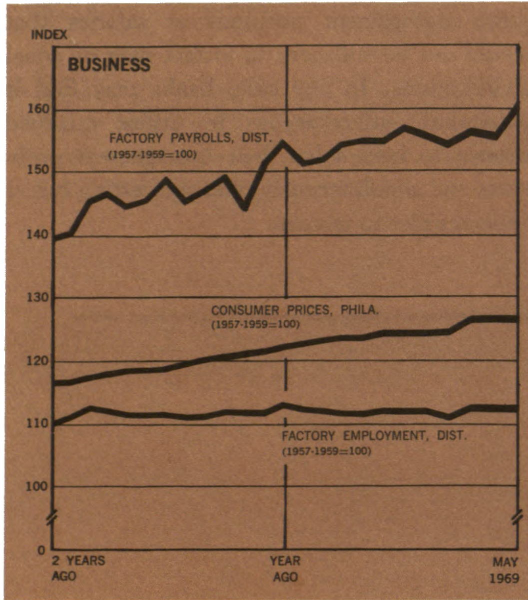
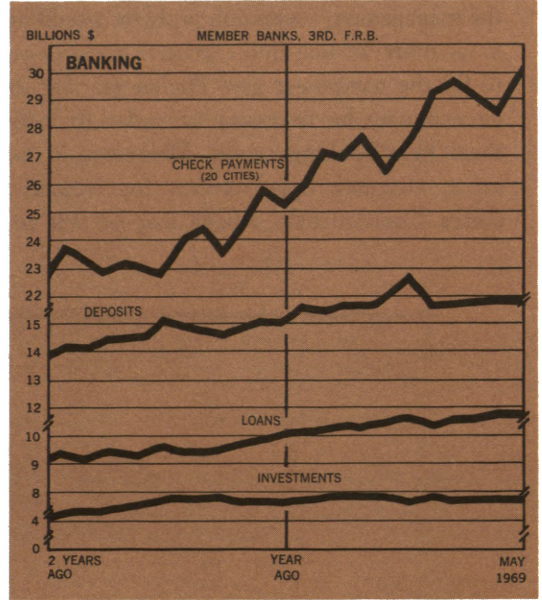
FOR THE RECORD...





SUMMARY	Third Federal Reserve District			United States		
	Per cent change			Per cent change		
	May 1969 from		5 mos. 1969 from	May 1969 from		5 mos. 1969 from
	mo. ago	year ago	year ago	mo. ago	year ago	year ago
MANUFACTURING						
Production	....	....	....	0	+ 5	+ 5
Electric power consumed	+ 1	+ 6	+ 6	....	....	....
Man-hours, total*	+ 1	0	0	....	....	....
Employment, total	0	0	0	....	....	....
Wage income*	+ 1	+ 6	+ 7	....	....	....
CONSTRUCTION**	+34	−22	+ 1	+20	+15	+16
COAL PRODUCTION	+ 4	+ 8	+ 1	+ 3	+ 2	− 2
BANKING						
(All member banks)						
Deposits	− 4	+ 7	+ 8	− 3	+ 7	+ 7
Loans	− 1	+12	+12	0	+13	+13
Investments	− 2	+ 4	+ 5	− 3	+ 1	+ 3
U.S. Govt. securities	− 2	− 6	− 5	− 5	−10	− 6
Other	− 1	+12	+14	− 1	+11	+12
Check payments***	+ 6†	+17†	+20†	+ 3	+20	+20
PRICES						
Wholesale	....	....	....	+ 1	+ 4	+ 3
Consumer	0‡	+ 5‡	+ 5‡	0	+ 5	+ 5

*Production workers only
**Value of contracts
***Adjusted for seasonal variation

†15 SMSA's
‡Philadelphia

LOCAL CHANGES	Manufacturing				Banking			
	Employment		Payrolls		Check Payments**		Total Deposits***	
Standard Metropolitan Statistical Areas*	Per cent change May 1969 from		Per cent change May 1969 from		Per cent change May 1969 from		Per cent change May 1969 from	
	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago
Wilmington	+ 7	0	+ 7	+ 1	− 3	+ 1	− 5	+ 6
Atlantic City	....	....	....	....	− 4	+11	+ 2	+11
Trenton	0	+ 3	0	+ 6	+67	+35	− 5	+13
Altoona	− 1	+ 2	0	+12	+ 2	+ 8	− 1	+11
Harrisburg	0	− 2	+ 4	+ 8	+ 6	+12	− 2	+13
Johnstown	+ 1	− 2	+ 2	+ 6	+15	+19	+ 1	+13
Lancaster	0	+ 3	+ 1	+11	+ 4	+16	0	+10
Lehigh Valley	0	0	+ 2	+ 6	+ 1	+10	0	+ 9
Philadelphia	0	− 2	+ 1	+ 5	+ 5	+21	− 6	+ 5
Reading	0	+ 3	+ 2	+10	+ 4	+31	0	+11
Scranton	0	− 1	− 1	+ 3	− 5	+ 3	− 2	+ 6
Wilkes-Barre	0	+ 2	+ 1	+ 8	− 3	+14	− 2	+ 8
York	0	+ 4	+ 2	+12	− 6	+ 9	− 1	+ 8

*Not restricted to corporate limits of cities but covers areas of one or more counties.
**All commercial banks. Adjusted for seasonal variation.
***Member banks only. Last Wednesday of the month.

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